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**EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana**

**ANNUAL FINANCIAL REPORT
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2004
WITH SUPPLEMENTAL INFORMATION SCHEDULES**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/20/05

**EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana**

**BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2004**

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**EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana**

**BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2004**

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EAST RICHLAND WATERWORKS DISTRICT
(A Component unit of the Richland Parish Police Jury)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's Discussion and Analysis of the East Richland Waterworks District (the District) presents a narrative overview and analysis of the District's financial activities for the year ended December 31, 2004. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities by \$230,753 (net assets).
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$123,217 include property and equipment, net of accumulated depreciation, and reduced for any outstanding debt related to the purchase or construction of capital assets.
 - (2) Unrestricted net assets of \$71,363 represent the portion available to maintain the Districts continuing obligations to customers and creditors.
 - (3) Restricted net assets of \$36,173 due from debt covenants. The assets are restricted for debt service and capital improvements.
- Total expenditures of \$218,834 exceeded total revenues of \$216,542, which resulted in a current year deficit of \$2,292, compared to the prior year's deficit of \$1,163.
- Total operating revenues increased by \$39,535 from the prior year, mainly from increase in water sales revenues, and operating expenses increased by \$40,766 from the prior year.

OVERVIEW OF ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of East Richland Waterworks district's financial condition and performance.

The financial statements report information on the district using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Statement of Net Assets, Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash flows. The Statement of Net Assets provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Assets, accounts for the revenues and expenses for the fiscal year, and provides information on how net assets changed during the year. This statement measures the success of the district's operations in a format that can be used to determine if the district has recovered its costs through user fees and other charges.

EAST RICHLAND WATERWORKS DISTRICT
(A Component unit of the Richland Parish Police Jury)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in each resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule, key information schedules on operations of the district, and schedules detailing audit findings and management response, as well as required reports for single audit disclosure.

FINANCIAL ANALYSIS OF THE DISTRICT

| | <u>2004</u> | <u>2003</u> |
|--------------------------------------|------------------|------------------|
| Current Assets | \$107,269 | \$106,191 |
| Restricted Assets | 36,173 | 35,103 |
| Capital Assets | <u>194,888</u> | <u>200,273</u> |
| Total Assets | 338,330 | 341,567 |
| Total Liabilities | <u>107,577</u> | <u>108,522</u> |
| Net Assets: | | |
| Invested Capital Assets, Net of Debt | 123,217 | 123,182 |
| Restricted | 36,173 | 35,103 |
| Unrestricted | <u>71,363</u> | <u>74,760</u> |
| Total Net assets | <u>\$230,753</u> | <u>\$233,045</u> |

Net assets of the District decreased by \$2,292 from December 31, 2003 to December 31, 2004.

| | <u>2004</u> | <u>2003</u> |
|---------------------------------------|------------------|------------------|
| Operating Revenues | \$216,542 | \$177,007 |
| Operating Expenses | <u>215,732</u> | <u>174,966</u> |
| Operating Income | 810 | 2,041 |
| Non-operating revenues (Expenses) | <u>(3,102)</u> | <u>(3,204)</u> |
| Net increase (decrease) in net assets | <u>\$(2,292)</u> | <u>\$(1,163)</u> |

EAST RICHLAND WATERWORKS DISTRICT
(A Component unit of the Richland Parish Police Jury)

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUDGETARY HIGHLIGHTS

The original budget was not revised this year.

The actual revenues were more than the budgeted revenues by \$18,042 or 9% and the budgeted expenditures were more than the actual expenditures by \$29,632 or 16%. The major variance was payroll, maintenance, and water costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2004, the District had \$194,888, net of accumulated depreciation, invested in a broad range of capital assets, including water lines and office equipment (See Table below)

| | <u>2004</u> | <u>2003</u> |
|------------------------------|------------------|------------------|
| Water Lines | \$292,150 | \$292,150 |
| New lines and equipment | 124,144 | 124,599 |
| Office equipment | 7,156 | 2,554 |
| Less Accumulated deprecation | <u>(228,562)</u> | <u>(219,030)</u> |
| Totals | <u>\$194,888</u> | <u>\$200,273</u> |

This year's major capital additions included above were a new billing software system, computer, and printer.

Debt

The District has one loan outstanding to Farmers House administration. The debt originated in 1977 to construct water lines. The District made principal reductions of \$5,420 for the year ended December 31, 2004.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the district's finances and to show the district's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Ms. Lynda Best, Clerk, 136 Hwy. 855, Delhi, LA 71232.

BONNIE T. ROBINETTE, CPA

99A Lakeshore Drive

Monroe, LA 71203

(318) 342-8000

Fax: (318) 342-8001

INDEPENDENT AUDITORS' REPORT

**BOARD OF COMMISSIONERS
EAST RICHLAND WATERWORKS DISTRICT
RICHLAND PARISH, LOUISIANA**

I have audited the basic financial statements of East Richland Waterworks District, a component unit of the Richland Parish Police Jury, as of and for the years ended December 31, 2004 and 2003. These basic financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of East Richland Waterworks District as of and for the years ended December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

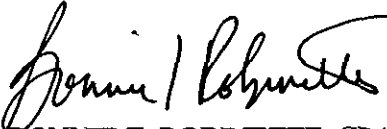
In accordance with Government Auditing Standards, I have also issued my report dated June 23, 2005 on my consideration of East Richland Waterworks District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Board of Commissioners
East Richland Waterworks District
Richland Parish, Louisiana

As described in Note 10 to the basic financial statements, the East Richland waterworks district adopted the provisions of governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and analysis - for State and local Governments, Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus, Statement No. 38, Certain Financial Statement Note Disclosures, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements. This results in a change in the format and context of the basic financial statements.

The Management's Discussion and Analysis and the required supplemental information on pages 1 through 3 and page 22, respectfully, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement of presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of East Richland Waterworks District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



BONNIE T. ROBINETTE, CPA

Monroe, Louisiana
June 23, 2005

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

STATEMENT A

BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2004

STATEMENT OF NET ASSETS

| ASSETS | <u>2004</u> | <u>2003</u> |
|--|----------------------|----------------------|
| Current assets: | | |
| Cash | \$ 34,633 | \$42,921 |
| Investments | 43,311 | 42,845 |
| Accounts receivable - net of allowance of \$2,787 in 2004 and \$1,813 in 2003 | 23,238 | 19,262 |
| Other receivables | 5,741 | 887 |
| Prepaid expenses | <u>346</u> | <u>276</u> |
| Total current assets | <u>107,269</u> | <u>106,191</u> |
| Restricted assets: | | |
| Cash-Bond depreciation and Contingency | 19,441 | 18,417 |
| Cash-Bond reserve | <u>16,732</u> | <u>16,686</u> |
| Total restricted assets | 36,173 | 35,103 |
| Capital Assets (net of accumulated depreciation) | <u>194,888</u> | <u>200,273</u> |
| TOTAL ASSETS | <u>\$338,330</u> | <u>\$341,567</u> |
| LIABILITIES AND FUND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 12,915 | \$ 10,041 |
| Accrued salaries and other expenses | 4,759 | 4,510 |
| Interest payable on long-term debt | 1,317 | 1,035 |
| Customer deposits | 16,915 | 15,845 |
| Current maturities of long-term debt | <u>4,719</u> | <u>4,494</u> |
| Total current liabilities | 40,625 | 35,925 |
| Bonds payable | <u>66,952</u> | <u>72,597</u> |
| Total liabilities | <u>107,577</u> | <u>108,522</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 123,217 | 123,182 |
| Restricted for debt service and capital improvements | 36,173 | 35,103 |
| Unrestricted | <u>71,363</u> | <u>74,760</u> |
| Total Net Assets | <u>230,753</u> | <u>233,045</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$338,330</u> | <u>\$341,567</u> |

The accompanying notes are an integral part of this statement.

**EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana**

STATEMENT B

**BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2004**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS**

| | <u>2004</u> | <u>2003</u> |
|--|-------------------|------------------|
| OPERATING REVENUES | | |
| Charges for services | \$ 211,269 | \$169,793 |
| Other fees and charges | <u>5,273</u> | <u>7,214</u> |
| Total operating revenues | <u>216,542</u> | <u>177,007</u> |
| OPERATING EXPENSES | | |
| Administrative | 5,200 | 2,923 |
| Bad debt expense | 2,551 | 183 |
| Depreciation | 11,480 | 10,945 |
| Directors fees | 3,080 | 2,000 |
| Insurance | 1,975 | 2,157 |
| Management fees | 27,029 | 26,443 |
| Other expenses | 2,188 | 1,682 |
| Professional fees | 4,558 | 4,505 |
| Repairs and maintenance | 10,186 | 11,772 |
| Salaries and wages | 23,570 | 12,286 |
| Taxes and licenses | 1,930 | 2,312 |
| Utilities | 2,794 | 2,649 |
| Water purchases | <u>119,191</u> | <u>95,109</u> |
| Total operating expenses | <u>215,732</u> | <u>174,966</u> |
| OPERATING INCOME | 810 | 2,041 |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Gain on sale of assets | - | - |
| Interest income | 653 | 823 |
| Interest expense | <u>(3,755)</u> | <u>(4,027)</u> |
| Total non-operating revenues (expenses) | <u>(3,102)</u> | <u>(3,204)</u> |
| NET CHANGE | (2,292) | (1,163) |
| TOTAL NET ASSETS AT BEGINNING OF YEAR | <u>233,045</u> | <u>234,208</u> |
| TOTAL NET ASSETS AT END OF YEAR | <u>\$ 230,753</u> | <u>\$233,045</u> |

The accompanying notes are an integral part of this statement.

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

STATEMENT C

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2004

STATEMENT OF CASH FLOWS

| | <u>2004</u> | <u>2003</u> |
|---|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers and grants | \$210,955 | \$175,726 |
| Cash paid to suppliers and employees | (176,660) | (145,454) |
| Cash paid to others for services, taxes, etc. | (26,710) | (16,129) |
| Net cash provided by operating activities | <u>7,585</u> | <u>14,143</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from sale of capital assets | 0 | 0 |
| Acquisition and construction of capital assets | (6,095) | (2,866) |
| Principal paid on long-term bonds | (5,420) | (4,725) |
| Interest on long-term bonds | (3,474) | (4,169) |
| Net cash used for capital financing activities | <u>(14,989)</u> | <u>(11,760)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest on deposits | 554 | 693 |
| Purchase long-term certificate of deposit | (466) | (568) |
| Transfers to reserve accounts | (972) | - |
| Net cash (used for) provided by investing activities | <u>(884)</u> | <u>125</u> |
| NET INCREASE (DECREASE) IN CASH | <u>(8,288)</u> | <u>2,508</u> |
| CASH AT BEGINNING OF YEAR | <u>42,921</u> | <u>40,413</u> |
| CASH AT END OF YEAR | <u><u>\$34,633</u></u> | <u><u>\$42,921</u></u> |

The accompanying notes are an integral part of this statement.

**EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana**

STATEMENT C

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2004**

STATEMENT OF CASH FLOWS

| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>2004</u> | <u>2003</u> |
|--|--------------------|--------------------|
| Operating income | \$ 810 | \$ 2,041 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Bad debt expense | 2,551 | 183 |
| Depreciation | 11,480 | 10,945 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | (6,525) | (4,411) |
| (Increase) decrease in other receivables | (4,854) | - |
| (Increase) decrease in prepaid expenses | (70) | 6 |
| Increase (decrease) in accounts payable | 2,874 | (786) |
| Increase (decrease) in accrued expenses | (193) | 2,093 |
| Increase (decrease) in salaries payable | 442 | 942 |
| Increase in customer deposits | <u>1,070</u> | <u>3,130</u> |
| Total adjustments | <u>6,775</u> | <u>12,102</u> |
| Net cash provided by operating activities | \$ <u>7,585</u> | \$ <u>14,143</u> |

The accompanying notes are an integral part of this statement.

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2004

INTRODUCTION

East Richland Waterworks District (the District) was created by the Richland Parish Police Jury, as authorized by Chapter 8 of Title 33 of the Louisiana Revised Statutes of 1950. The District is governed by a five-member board appointed by the police jury. The District is responsible for maintaining and operating the water distribution system within the boundaries of the district. At December 31, 2004, the District had 603 residential customers.

GASB Statement No. 14, The Reporting Entity, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the East Richland Waterworks District is considered a component unit of the Richland Parish Police Jury.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus and Basis of Accounting and Financial Statement Presentation

The District's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principle Board (APB) of the Committee On Accounting Procedure, issued on or before November 30, 1989, unless those pronouncements conflict or contradict with GASB pronouncements.

These financial statements are presented in conformance with GASB Statement No. 34, Basic Financial statements, Management's Discussion and Analysis, for State and Local Governments. Statement No. 34 established standards for financial reporting, with presentation requirements including a statement of net assets (or balance sheet), a statement of activities and changes in net assets, and a statement of cash flows. The District has also adopted the provisions of GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, that require capital contributions to the District be presented as a change in net assets.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The term measurement focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the balance sheet. The activity statement includes all costs of providing goods and services during the period.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal ongoing operations, primarily the provision of water to rural areas of Richland Parish. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the entity's policy to use restricted resources first, then unrestricted resources as they are needed.

B. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law, or any other state of the United States, or under the laws of the United States.

C. INVESTMENTS

Investments are limited by Louisiana RS 33:2955 and the District's investment policy. If the original maturities of investment exceed ninety days, they are classified as investments; however, if the original maturities are ninety days or less, they are classified as cash equivalents.

D. PREPAID ITEMS

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist primarily of prepaid insurance premiums.

E. RESTRICTED ASSETS

Certain proceeds of the water revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants.

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

F. CAPITAL ASSETS

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$300, and an estimated useful life in excess of the year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including water systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

| | |
|-----------------------|-------------|
| Buildings | 15-30 years |
| Equipment & Furniture | 3-7 years |
| Water System | 20-40 years |

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of these assets constructed.

G. VACATION AND SICK LEAVE

The District's four part-time employees receive no vacation and sick leave each year.

H. LONG-TERM LIABILITIES

Long-term liabilities are recognized within the Enterprise Fund. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

I. NET ASSETS

GASB Statement No. 34, Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments, requires classification of net assets, the difference between the District's assets and liabilities, into three components, as described below:

**EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana**

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- Invested in capital assets, net of related debt - this component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or indebtedness attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset calculation as unspent proceeds.
- Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

J. USE OF ESTIMATES

The preparation of financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2004

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Under state law, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

At December 31, 2004, the District has cash and cash equivalents (book balances), savings and investments in certificates of deposits as follows:

| | <u>2004</u> | <u>2002</u> |
|-----------------|------------------|------------------|
| Demand deposits | \$34,633 | \$42,921 |
| Savings | 36,173 | 35,103 |
| Time deposits | <u>43,311</u> | <u>42,845</u> |
| total | <u>\$114,117</u> | <u>\$120,869</u> |

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2004, the District has \$115,842 in deposits (collected bank balances) at two local banks. These deposits are secured from risk by \$114,103 of federal deposit insurance and \$296,380 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

NOTE 3 - INVESTMENTS

At December 31, 2004 and 2003, the District's investment balances were in certificates of deposit. The investments are carried at cost, which approximates market value.

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2004

NOTE 4 - CAPITAL ASSETS

A summary of the changes in Capital assets is as follows:

| | <u>2003</u> | <u>ADDITIONS</u> | <u>DELETIONS</u> | <u>2004</u> |
|--------------------------|------------------|------------------|------------------|------------------|
| Water lines | \$292,150 | | | \$292,150 |
| New Lines and Equipment | 124,599 | | 455 | 124,144 |
| Office Equipment | 2,554 | 6,095 | 1,493 | 7,156 |
| Total | <u>419,303</u> | <u>6,095</u> | <u>1,948</u> | <u>423,450</u> |
| Accumulated Depreciation | <u>219,030</u> | <u>11,480</u> | <u>1,948</u> | <u>228,562</u> |
| Net Capital Assets | <u>\$200,273</u> | | | <u>\$194,888</u> |

| | <u>2002</u> | <u>ADDITIONS</u> | <u>DELETIONS</u> | <u>2003</u> |
|--------------------------|------------------|------------------|------------------|------------------|
| Water lines | \$292,150 | | | \$292,150 |
| New Lines and Equipment | 122,372 | 2,227 | | 124,599 |
| Office Equipment | 1,915 | 639 | | 2,554 |
| Total | <u>416,437</u> | <u>2,866</u> | <u>0</u> | <u>419,303</u> |
| Accumulated Depreciation | <u>208,085</u> | <u>10,945</u> | | <u>219,030</u> |
| Net Capital Assets | <u>\$208,352</u> | | | <u>\$200,273</u> |

Depreciation expense amounted to 11,480 and \$10,945 for the years ended December 31, 2004 and 2003.

NOTE 4 - PENSION PLAN

The District's three part-time employees are members of the Social Security System. In addition to employer contributions withheld at 7.65 per cent of gross salary, the District contributes an equal amount to the Social Security System. The District does not guarantee the benefits granted by the Social Security System.

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2004

NOTE 5 - LONG-TERM DEBT

The following is a summary of long-term debt transactions for the years ended December 31, 2004:

| | <u>2004</u> | <u>2003</u> |
|-------------------------------|------------------|------------------|
| Bonds payable at January 1, | \$ 77,091 | \$ 81,816 |
| Additions | - | - |
| Principal reductions | <u>(5,420)</u> | <u>(4,725)</u> |
| Bonds payable at December 31, | \$ <u>71,671</u> | \$ <u>77,091</u> |

The bonds bear interest at a rate of 5%. The water revenue bond is secured by a pledge of the water revenues of the system.

The bonds are scheduled to mature as follows:

| | <u>Principal</u> | <u>Interest</u> |
|------------------|------------------|------------------|
| 2005 | 4,719 | 4,175 |
| 2006 | 4,955 | 3,939 |
| 2007 | 5,203 | 3,691 |
| 2008 | 5,463 | 3,430 |
| 2009 | 5,736 | 3,158 |
| Years thereafter | <u>45,595</u> | <u>13,637</u> |
| | \$ <u>71,671</u> | \$ <u>32,030</u> |

NOTE 6 - LITIGATION AND CLAIMS

The District was not involved in any litigation at December 31, 2004, nor is it aware of any unasserted claims.

NOTE 7 - FEDERAL PROGRAMS AND RESTRICTED CASH

During the year ended December 31, 1977, the District received two loans from Farmers Home Administration (CFDA 10.418) in the combined amount of \$260,000. During the year ended December 31, 1993 one of the loans was repaid in its entirety. The remaining loan is included in long-term debt on the accompanying balance sheet. The loan agreement requires the establishment of the following accounts by the District to meet the reserve requirements of all loans:

- A. A "Revenue Bond Reserve Fund." The District must transfer into this fund, each month an amount equal to 5% of the annual debt service requirement until a sum equal to the highest annual debt service in any one year is on deposit in the fund. The deposits in the fund are to be used solely for the payment of principal and interest in the event sufficient deposits are not available in the District's funds.

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2004

- B. A "Depreciation for Contingency Fund." The District must transfer \$30 into this fund each month. The deposits in this fund may be used by the District for unusual or extraordinary maintenance, repairs, replacements and extensions and for the costs of improvements to the system which will either enhance its revenue-producing capacity or provide a higher degree of service. The deposits may also be used to pay principal and interest when insufficient amounts are available in either of the above funds.

The following is a summary of transactions in the reserve accounts for the years ended December 31, 2004:

| | <u>Bond Reserve</u> | <u>Depreciation Contingency</u> |
|------------------------------|-------------------------|-------------------------------------|
| Balance at December 31, 2002 | \$ 16,624 | \$ 18,349 |
| Additions: | | |
| Deposits | - | - |
| Interest earnings | <u>62</u> | <u>68</u> |
| Balance at December 31, 2003 | 16,686 | 18,417 |
| Additions: | | |
| Deposits | - | 972 |
| Interest earnings | <u>46</u> | <u>52</u> |
| Balance at December 31, 2004 | \$ <u>16,732</u> | \$ <u>19,441</u> |

NOTE 8 - RISK MANAGEMENT

In the ordinary course of business the district is at risk for property damage, liability and theft. The district provides insurance coverage through commercial insurance companies.

NOTE 9 - ECONOMIC DEPENDENCE and CREDIT CONCENTRATION

The district supplies water to residents in East Richland Parish. The district purchases all of its water supply from the Town of Delhi.

The district's customers are concentrated in East Richland Parish. The balance of receivables due from these customers is \$26,025.

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2004

NOTE 10 - CHANGES IN ACCOUNTING PRINCIPLES

For the year ended December 31, 2004, the District has implemented GASB Standard No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. GASB 34 creates new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than be fund type which has been the mode of presentation in previously issued statements. The District also implemented GASB Standard No. 38, Certain Financial Statement Note Disclosures, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

The implementation of GASB Standard No. 34 caused the operating fund balance at December 31, 2003 to be restated in terms of "net assets" as follows:

| | |
|--|------------------|
| Fund Equity | <u>\$233,045</u> |
| Restated as Net Assets: | |
| Invested in Capital Assets, Net of Related Debt | 123,182 |
| Restricted for Debt Service and Capital Improvements | 35,103 |
| Unrestricted | <u>74,760</u> |
| Total Net Assets | <u>\$233,045</u> |

**EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE TWO YEARS ENDED
DECEMBER 31, 2004**

SUPPLEMENTAL INFORMATION SCHEDULES

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

SCHEDULE 1

BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2004
(Comparison amounts for the year ended December 31, 2003)

| | Budget 2004 | Actual 2004 | Variance Favorable (unfavorable) | 2003 |
|--|------------------------|------------------------|---|------------------|
| OPERATING REVENUES | | | | |
| Water Sales | \$190,000 | \$211,269 | \$21,269 | \$ 169,793 |
| Other fees and charges | <u>8,500</u> | <u>5,273</u> | <u>(3,227)</u> | <u>7,214</u> |
| Total operating revenues | <u>198,500</u> | <u>216,542</u> | <u>18,042</u> | <u>177,007</u> |
| OPERATING EXPENSES | | | | |
| Administrative | 3,600 | 5,200 | (1,600) | 2,923 |
| Bad debt expense | 2,800 | 2,551 | 249 | 183 |
| Depreciation | 9,400 | 11,480 | (2,080) | 10,945 |
| Directors fees | 2,000 | 3,080 | (1,080) | 2,000 |
| Insurance | 2,800 | 1,975 | 825 | 2,157 |
| Management fees | 25,000 | 27,029 | (2,029) | 26,443 |
| Other expenses | 2,500 | 2,188 | 312 | 1,682 |
| Professional fees | 4,000 | 4,558 | (558) | 4,505 |
| Repair and maintenance | 6,000 | 10,186 | (4,186) | 11,772 |
| Salaries and wages | 14,000 | 23,570 | (9,570) | 12,286 |
| Taxes and licenses | 2,000 | 1,930 | 70 | 2,312 |
| Utilities | 2,000 | 2,794 | (794) | 2,649 |
| Water purchases | <u>110,000</u> | <u>119,191</u> | <u>(9,191)</u> | <u>95,109</u> |
| Total operating expenses | <u>186,100</u> | <u>215,732</u> | <u>(29,632)</u> | <u>174,966</u> |
| OPERATING INCOME | 12,400 | 810 | (11,590) | 2,041 |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Gain on sale of assets | 0 | 0 | 0 | 0 |
| Interest income | 1,700 | 653 | (1,047) | 823 |
| Interest expense | <u>(3,600)</u> | <u>(3,755)</u> | <u>(155)</u> | <u>(4,027)</u> |
| Total non-operating revenues (expenses) | <u>(1,900)</u> | <u>(3,102)</u> | <u>(1,202)</u> | <u>(3,204)</u> |
| NET INCOME (LOSS) | <u>\$10,500</u> | <u>\$(2,292)</u> | <u>\$ (12,792)</u> | <u>\$(1,163)</u> |

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

SCHEDULE 2

SCHEDULE OF WATER RATES

| <u>Classification</u> | <u>Tariff</u> | <u>Rate</u> |
|-----------------------|---|--------------------------------|
| Residential | Monthly minimum for 2,000 gallons 2,000 gallons and up | \$ 12.00 12.00 + 3.05/1,000 |
| Two-line Residential | Monthly minimum for 4,000 gallons 4,000 gallons and up | \$ 24.00 24.00 + 3.25/1,000 |
| Commercial | 0 - 15,000 gallons 15,000 gallons and up | \$36.50 36.50 + 3.05/1,000 |
| Bayou Macon Contract | Per 1,000 gallons | \$ 2.11 |
| Government | Monthly minimum for 5,000 gallons 5,000 gallons and up | \$ 37.23 37.23 + 3.05/1,000 |

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

SCHEDULE 3

SCHEDULE OF INSURANCE COVERAGE

| <u>Type of Coverage</u> | <u>Name of Insurer</u> | <u>Policy Number</u> | <u>Amount of Coverage</u> | <u>Expiration Date</u> |
|-----------------------------|----------------------------|--------------------------|-------------------------------|----------------------------|
| Liability | Evanston Insurance Co. | CP327900 | \$300,000 | February 10, 2005 |
| Fire | Evanston Insurance Co. | CP327900 | \$ 50,000 | February 10, 2005 |
| Medical Payments | Evanston Insurance Co. | CP327900 | \$ 5,000 | February 10, 2005 |
| Fidelity Bond | Western Surety | 161052203 | \$ 90,000 | September 19, 2005 |

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

SCHEDULE 4

SUPPLEMENTAL INFORMATION SCHEDULE
FOR THE TWO YEARS ENDED DECEMBER 31, 2004

COMPENSATION PAID BOARD MEMBERS

The schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

| | <u>2004</u> | <u>2003</u> |
|-----------------|----------------|----------------|
| Donald Green | \$700 | \$500 |
| Claude E. Hosea | 700 | 500 |
| Richard King | 700 | 500 |
| Clarence McCall | 700 | 500 |
| Mary Jo Clack | 280 | 0 |
| | <u>\$3,080</u> | <u>\$2,000</u> |

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

BOARD OF COMMISSIONERS
EAST RICHLAND WATERWORKS DISTRICT
RICHLAND PARISH, LOUISIANA

I have audited the basic financial statements of the East Richland Waterworks District of the Parish of Richland, State of Louisiana, a component unit of Richland Parish Police Jury, for the year ended December 31, 2004, and have issued my report thereon dated June 23, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether East Richland Waterworks District's Basic financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

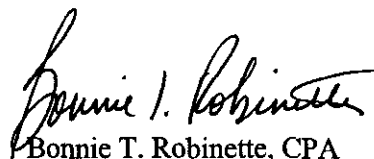
Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the Basic financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the district's ability to record, process, summarize and report financial data consistent with the assertions of management in the Basic financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs.

Board of Commissioners
East Richland Waterworks District
Richland Parish, Louisiana

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the Basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition 2004-1 is considered to be material weakness.

This report is intended solely for the information and use of management and others within the organization, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties:



Bonnie T. Robinette, CPA

Monroe, Louisiana
June 23, 2005

**EAST RICHLAND WATERWORKS DISTRICT
RICHLAND PARISH, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2004**

Section I. Summary of Auditor's Reports

- a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weakness ☒ Yes ☐ No

Reportable Conditions ☒ Yes ☐ No

Compliance

Compliance Material to Financial Statements ☐ Yes ☒ No

- b. Not applicable

- c. Not applicable

Section II. Financial Statement Findings

Reportable Conditions

2004-1 Inadequate Segregation of Duties

Farmer's Home Administration

CONDITION: Inadequate segregation of duties exist in that personnel perform incompatible functions, those that allow an error or irregularity that is material to the financial statements to occur and remain undetected.

CAUSE: Limited number of employees

CRITERIA: A fundamental concept in a good system of internal control is the segregation of duties.

EFFECT OF CONDITION: Errors could occur and not be detected in a timely manner.

RECOMMENDATION: Management should review the practicality of achieving adequate segregation of duties.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Due to a limited number of personnel, the cost of correcting the weakness would exceed the benefits derived. **Responsible Person:** Claude Hosea

Compliance Findings

None

1

**EAST RICHLAND WATERWORKS DISTRICT
RICHLAND PARISH, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2004**

Section III. Federal Award Findings and Questioned Costs

Not applicable

**EAST RICHLAND WATERWORKS DISTRICT
RICHLAND PARISH, LOUISIANA**

SCHEDULE OF PRIOR YEAR FINDINGS

REPORTABLE CONDITIONS

2002-1 Inadequate Segregation of Duties

Status: See Reportable Condition 2004-1

INSTANCES OF NONCOMPLIANCE - Not applicable